

BEFORE THE
ILLINOIS COMMERCE COMMISSION

IN THE MATTER OF:)
)
METROPOLITAN TELECOMMUNICATIONS)
OF ILLINOIS, INC., d/b/a METTEL)
) No. 01-0774
Application for a Certificate of)
Public Convenience and Necessity)
for Local and Interexchange)
Authority to Operate as a)
Reseller and Facilities-Based)
Carrier of Telecommunications)
Services throughout the State of)
Illinois.)

Chicago, Illinois
March 25, 2002

Met pursuant to notice at 10:00 a.m.

BEFORE:

MR. JOHN T. RILEY, Administrative Law Judge.

APPEARANCES :

MS. IRINA AVAGYAN (telephonically)
44 Wall Street, 14th Floor
New York, New York 10005
Appearing for the Applicant;

MS. JUDITH MARSHALL and
MS. BARBARA LANKFORD (telephonically)
527 East Capitol Avenue
Springfield, Illinois 62701
Appearing for Staff.

SULLIVAN REPORTING COMPANY, by
Julianne Murphy, RPR, CSR

1		<u>I</u> <u>N</u> <u>D</u> <u>E</u> <u>X</u>				
2	<u>Witnesses:</u>	<u>Direct</u>	<u>Cross</u>	Re- <u>direct</u>	Re- <u>cross</u>	By <u>Examiner</u>
3	FRANK LAZZARA		45		51	43, 47
4						
5						
6						
7		<u>E</u> <u>X</u> <u>H</u> <u>I</u> <u>B</u> <u>I</u> <u>T</u> <u>S</u>				
8	<u>Number</u>	<u>For Identification</u>			<u>In Evidence</u>	
9	App. No. 4		50			50
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						

1 JUDGE RILEY: Pursuant to the direction of the
2 Illinois Commerce Commission, I now call Docket
3 01-0774. This is an application by Metropolitan
4 Telecommunications of Illinois, Inc., doing
5 business as MetTel, for a certificate of public
6 convenience and necessity for local and
7 interexchange authority to operate a reseller and
8 facilities-based carrier of telecommunications
9 services throughout the State of Illinois.

10 Ms. Avagyan, would you enter an appearance
11 for the record and please spell your last name.

12 MS. AVAGYAN: My name is Irina Avagyan, last
13 name spelled A-v-a-g-y-a-n. And my title is an
14 attorney with MetTel.

15 JUDGE RILEY: Thank you. And what is your
16 business address?

17 MS. AVAGYAN: It's 44 Wall Street, 14th floor,
18 New York, New York 10005.

19 JUDGE RILEY: Thank you. And your witness's
20 name again is?

21 MS. AVAGYAN: I'll let him testify himself.

22 JUDGE RILEY: Well, I'm not calling the witness

1 yet.

2 MS. AVAGYAN: Okay. His name is Frank Lazzara,
3 last name spelled L-a-z-z-a-r-a.

4 JUDGE RILEY: Thank you. And Staff, we have
5 Judy Marshall and Barbara Lankford in Springfield;
6 is that correct?

7 MS. LANKFORD: Yes.

8 MS. MARSHALL: Yes, it is.

9 JUDGE RILEY: All right. Then after an initial
10 off-the-record discussion, it has been determined
11 that applicant has yet to file the amended
12 application. And It's my understanding that you
13 will do so in the most expeditious manner possible?

14 MS. AVAGYAN: Today and the latest tomorrow.

15 JUDGE RILEY: Okay. Fine. In addition to that,
16 I have received by fax this morning a consolidated
17 balance sheet for the parent of the applicant in
18 this matter, and I have received a number of pro
19 forma and projected balance sheets and other
20 financial information for the applicant itself.

21 Ms. Avagyan, was your witness going to
22 testify to these documents?

1 MS. AVAGYAN: Yes, he is.

2 JUDGE RILEY: All right. Then Staff, are you
3 prepared to proceed?

4 MS. MARSHALL: Yes.

5 JUDGE RILEY: All right. Then Ms. Avagyan,
6 would you please call your witness.

7 MS. AVAGYAN: At this time I would like to call
8 Frank Lazzara, Chief Financial Officer of MetTel,
9 in order to answer questions of the Staff.

10 (Witness sworn.)

11 JUDGE RILEY: Please proceed.

12 Ms. Avagyan, do you have any direct
13 examination for the witness?

14 MS. AVAGYAN: No, I don't.

15 JUDGE RILEY: Then let me ask a few foundation
16 questions then.

17 FRANK LAZZARA,
18 called as a witness herein, having been first duly
19 sworn, was examined and testified as follows:
20
21
22

1 EXAMINATION

2 BY

3 JUDGE RILEY:

4 Q. Mr. Lazzara, with regard to the
5 consolidated balance sheet, was it prepared by you
6 or at your direction?

7 A. Yes, it was.

8 Q. And as you look at the consolidated balance
9 sheet today for the parent company, are there any
10 changes that you would make to that document?

11 A. No. This document represents our unaudited
12 November 30 financial statement package, and we
13 anticipate going through our annual review with
14 PricewaterhouseCoopers within the next 30 to 60
15 days.

16 At this point it is our best accuracy and
17 representation of both balance sheet and P&L for
18 the consolidated parent company.

19 Q. And with regard to the projected figures
20 that were submitted on behalf of the applicant, are
21 you familiar with those figures also?

22 A. Yes, I am. We've submitted a day-one pro

1 forma balance sheet for the applicant. And then a
2 subsequent page which I believe you've received, we
3 have a projected end-of-year-one balance sheet and
4 the supporting projections which, for purposes of
5 analytics, detail the estimated line adds on a
6 monthly basis, the projected revenue mixes, profit
7 margin, and collection patterns that we anticipate
8 and fielding the 12 months' worth of operations on
9 a projected basis.

10 JUDGE RILEY: Okay. I have no further
11 questions. Ms. Marshall or Ms. Lankford, who is
12 going to conduct the initial cross-examination?

13 MS. LANKFORD: This is Barb. I really don't
14 have any questions for the applicant. I had asked
15 them in the previous hearing, so I really don't
16 believe I have any cross-examination questions at
17 all.

18 JUDGE RILEY: Thank you. Ms. Marshall, did you
19 have anything?

20 MS. MARSHALL: Yes, I did.

21

22

1 CROSS-EXAMINATION

2 BY

3 MS. MARSHALL:

4 Q. I wanted to ask first about the financial
5 line of credit of the parent company. If you would
6 please just explain for the record the current
7 financing arrangements.

8 A. We have a credit facility in place with a
9 subsidiary of Goldman Sachs. This arrangement has
10 been in place since March of 1999.

11 As it exists today, the credit facility is
12 for a total of 21.5 million dollars, and there is a
13 total of 21 million dollars outstanding.

14 From a background perspective, the last
15 time we drew on this line was in November of 2001
16 post the 9/11 incident for an immediate sort of
17 quick fix in light of the economic environment.
18 Since then, though, we have not needed to draw on
19 the line.

20 Historically, this line began in March of
21 1999 as a 5 million dollar line. I am not an
22 attorney, but with respect to the documents and the

1 relationship we have with this group, we've moved
2 that from a 5 million dollar line to 9, 12.5, 15.5
3 and today at 21.5. I think that demonstrates the
4 strength of the relationship we have with this one
5 and only lender in that to the extent that they
6 feel comfortable with our plans for growth, they're
7 very happy to renegotiate and take some more equity
8 at their earliest convenience.

9 That was some attempt at humor; I
10 apologize.

11 JUDGE RILEY: That's all right.

12 BY MS. MARSHALL:

13 **Q.** Now, the remaining funds available under
14 the line of credit are approximately how much?

15 **A.** \$500,000 as of today.

16 **Q.** And is it your intent to offer as an
17 exhibit the Exhibit 2 that is the parent company's
18 commitment to provide financing for the applicant?

19 **A.** Yes.

20 **Q.** And is it also your intent to offer as
21 exhibits the pro forma financial statements and
22 business plan of the applicant?

1 **A.** Yes, it is.

2 MS. MARSHALL: I have no further questions.

3 Thank you.

4 THE WITNESS: Okay.

5 JUDGE RILEY: Ms. Avagyan, did you have any

6 follow-up?

7 MS. AVAGYAN: No, I do not.

8 JUDGE RILEY: All right then. Does that

9 complete all of the questioning for the witness

10 then? Ms. Marshall, you've completed everything

11 you have to do?

12 MS. MARSHALL: Yes, other than I would like to

13 request that those documents be marked and entered

14 into the record.

15 JUDGE RILEY: Right. I'm going to get to that

16 very shortly.

17 MS. MARSHALL: Okay. Thanks.

18 FURTHER EXAMINATION

19 BY

20 JUDGE RILEY:

21 **Q.** Mr. Lazzara, not -- this is not related to

22 the financial information, but I wanted to make

1 certain that the -- are the applicant's books and
2 records located in Illinois or are they located
3 elsewhere?

4 MS. AVAGYAN: They're located in New York.

5 JUDGE RILEY: Excuse me. I have to ask this
6 question of the witness; Mr. Lazzara has to
7 testify, if he can.

8 BY JUDGE RILEY:

9 Q. Mr. Lazzara, is that correct, the books and
10 records of the company are located in New York?

11 A. Yes, they are.

12 Q. And is it my understanding that the company
13 is requesting permission to keep its books and
14 records at its principal place of business in New
15 York?

16 A. Yes. We would appreciate that.

17 Q. All right.

18 A. This serves as our corporate headquarters.

19 Q. Right. I understand that. There is a
20 requirement under 83 Illinois Administrative Code
21 Section 250 that if you're going to keep your books
22 and records other than in Illinois that specific

1 request has to be made under that section.

2 Is it my understanding you're making such
3 a request?

4 **A.** Yes.

5 **Q.** And will the books and records be available
6 to Illinois auditors for inspection upon request?

7 **A.** Absolutely.

8 JUDGE RILEY: All right. Then let's return to
9 the financial data that was submitted this morning.

10 Just to recap, at the January 29 session I
11 had marked and admitted as Applicant's Exhibit 1
12 the standard questions that were submitted with the
13 application, and they are listed as attachments --
14 I'm sorry, as appendices A, B, and C.

15 Applicant's Exhibit 2 was the letter of
16 guaranty from the parent company that was moved and
17 admitted. And Applicant's Exhibit 3 was what were
18 at that time the updated financial information for
19 the 11 months ending November 30, 2001.

20 Rather than say Applicant's Exhibit 3 is
21 being superseded, the financial information that
22 has been submitted this morning I would like to

1 mark as Applicant's Group Exhibit 4. Is there any
2 objection to that?

3 MS. AVAGYAN: No.

4 JUDGE RILEY: Is that you, Staff?

5 MS. MARSHALL: This is Judith Marshall, and I
6 have no objection.

7 JUDGE RILEY: All right.

8 MS. LANKFORD: And this is Barb. I have no
9 objection.

10 JUDGE RILEY: All right then. I'm going to mark
11 Applicant's Exhibit -- as Applicant's Exhibit 4 the
12 consolidated balance sheet of Manhattan
13 Telecommunications Corporation for the 12 months
14 ending November 31, 2001, and submitted with that
15 were the pro forma and projected financial
16 information of the applicant itself. And there
17 being no objection, I will admit those into
18 evidence.

19 (Whereupon, Applicant's Group 4
20 was admitted into evidence as
21 of this date.)

22 JUDGE RILEY: Ms. Marshall, did you have

1 anything further for the witness?

2 MS. MARSHALL: I did have one question that I
3 neglected to ask, if I may.

4 JUDGE RILEY: Please do so now.

5 RECROSS-EXAMINATION

6 BY

7 MS. MARSHALL:

8 Q. Could you just explain for the record
9 please why it has not been necessary for the parent
10 company to utilize any of its line of credit since
11 November?

12 A. Yes, absolutely. Our company has turned
13 the corner. We have been cash-flow positive. Over
14 the summer of 2001 we reached that point and have
15 been self-sufficient since then, as I said, despite
16 that \$400,000 draw in, I believe, November due to
17 the circumstances we had before us.

18 But the parent company, as demonstrated by
19 the statement of operations, has evened out
20 positive for the year 12/30/01, and we expect that
21 to continue --

22 JUDGE RILEY: Hello?

1 MS. MARSHALL: Thank you.

2 JUDGE RILEY: Mr. Lazzara, can you hear me?

3 THE WITNESS: Yes, I do.

4 JUDGE RILEY: We lost the last part of that.

5 You expected that to continue. What was the rest

6 of it, please?

7 THE WITNESS: Through the first quarter of '02.

8 JUDGE RILEY: Okay. Thank you.

9 THE WITNESS: I have not submitted financials

10 for that period of time; however, I guess that is

11 my comment on the first quarter's operations.

12 JUDGE RILEY: All right. And Ms. Marshall, does

13 that complete your questioning?

14 MS. MARSHALL: I had just one other follow-up

15 question that I also intended to ask.

16 JUDGE RILEY: All right. Go ahead.

17 BY MS. MARSHALL:

18 Q. And that is regarding the line of credit

19 are there any restrictions that prevent the parent

20 company from making those funds available to the

21 applicant?

22 A. No, there are not.

1 MS. MARSHALL: Thank you. That's all that I
2 have.

3 JUDGE RILEY: Thank you very much.

4 And Ms. Lankford, you had nothing further?

5 MS. LANKFORD: No, I don't, sir.

6 JUDGE RILEY: And Ms. Avagyan, do you have any
7 follow-up for the witness?

8 MS. AVAGYAN: None, Judge.

9 JUDGE RILEY: All right then. Are there any
10 matters that the parties can advise me that I have
11 not attended to at this point?

12 MS. AVAGYAN: This is Ms. Avagyan. We don't
13 have any other matters.

14 JUDGE RILEY: All right then. Ms. Marshall, do
15 you have a recommendation with regard to this
16 application?

17 MS. MARSHALL: Subject to a review of the
18 amended application that's to be filed, I at this
19 point know of no reason why this certificate cannot
20 be granted.

21 JUDGE RILEY: All right. And Ms. Lankford, do
22 you have a recommendation with regard to this?

1 MS. LANKFORD: I see no reason why this company
2 cannot receive a certificate.

3 JUDGE RILEY: Thank you.

4 Insofar as we still have the matter of the
5 amended application to be filed, I am not going to
6 mark this record heard and taken. I will continue
7 it to the 27th of March.

8 Ms. Avagyan, do you think that that will
9 be sufficient time to get the amended application
10 to our clerk's office?

11 MS. AVAGYAN: Yes, it is.

12 JUDGE RILEY: Okay. You said that would be
13 filed either today or very soon tomorrow?

14 MS. AVAGYAN: Yes.

15 JUDGE RILEY: All right then. I will continue
16 this matter to March 27th, 2002, at 10:00 a.m. And
17 assuming that the amended application is filed with
18 our clerk's office and is posted on our e-docket
19 filing system, there will be no need for a hearing
20 on March 27.

21 Ms. Marshall, upon your review of the
22 amended application, if you have any objection or

1 questions with regard to it, will you please advise
2 me immediately and the applicant.

3 MS. MARSHALL: Yes, I will.

4 JUDGE RILEY: So that whatever issues that have
5 arisen we can deal with them expeditiously as
6 possible.

7 All right then. Thank you very much. We
8 are continued to March 27 and I will monitor the
9 e-docket filing system for the amended application.

10 Thank you very much.

11 MS. AVAGYAN: Thank you.

12 (Whereupon the hearing in the
13 above-entitled matter was
14 continued until March 27, 2002
15 at 10:00 a.m.)

16

17

18

19

20

21

22